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MAR 20 1997

Federal Communications Commission
Washington, D.C. 20541

March 20, 1997

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington, D.C. 20554

Re: CC Docket 96-128

Dear Mr. Caton:

Today, Mary Sisak, Alan Buzacott and I met with Dan Gonzalez of Commissioner Chong's office. The purpose of the meeting was to review issues related to the implementation of the FCC's Payphone Compensation Order and provide an update of state activities. The attached materials were used during the meeting and detail the topics discussed.

Please add this letter and the enclosed copy to the record of this proceeding.

Sincerely,

Leonard S. Sawicki

Attachment

cc: Mr. Gonzalez
Mr. Carowitz
Ms. Keeney
Ms. Matthey
Mr. Muleta
Ms. Richards
Ms. Stevens

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PAYPHONE COMPENSATION

MCI- March 20, 1997

SUMMARY OF STATE PAYPHONE PROCEEDINGS

SWBT

Missouri-- SWBT identified a \$600,000 subsidy but proposes no rate reductions because the company is no longer under rate of return regulation.

MCI filed a complaint alleging a subsidy of \$22 million. Commission staff and SWBT responded that the subsidy is not \$22 million.

Proceeding pending.

Texas-- no intrastate rate reductions. SWBT states that there is a \$30,000 revenue surplus.

The ALJ suspended the tariff for further investigation.

Kansas-- it appears that no intrastate rate reductions are proposed.

Arkansas-- it appears that no intrastate rate reductions are proposed.

Oklahoma-- it appears that no intrastate rate reductions are proposed.

GTE

Texas-- no intrastate subsidy.

Florida-- MCI filed a complaint with the PSC alleging that intrastate switched access rates should be reduced by \$10.5 million to reflect the removal of payphone subsidies. GTE has filed a motion to dismiss, alleging that there is no payphone subsidy because payphone revenues offset the revenue requirement reduction.

Florida Commission has required all LECs to make payphone subsidy removal filings.

NYNEX

NYNEX has filed in MA, VT, and NH to increase the local coin rate. No subsidies are identified.

SNET

SNET has indicated to MCI that it will file intrastate reductions so that the intrastate CCL continues to mirror the interstate CCL.

BellSouth

Florida-- MCI filed a complaint with the PSC alleging that intrastate switched access rates should be reduced by \$36.5 million to reflect the removal of payphone subsidies.

BST claims the subsidy is \$6.5 million and proposes to reduce business rotary rates.

By Order of 3/18, the Commission will require all LECs to make payphone subsidy removal filings but did not specify which rates should be reduced.

South Carolina - BST identified a subsidy of \$2.45 million and proposes to reduce business rotary rates.

On 3/18 the Commission voted to permit the tariff to go into effect while the Commission further investigates.

Louisiana - BST identified a subsidy of \$2.3 million and asked the LA PSC to determine which rates should be reduced.

Commission action pending.

Mississippi - BST identified a \$1.4 million subsidy and filed a tariff to reduce business rotary rates. BST has indicated that they will apply the reduction to switched access.

Kentucky - BST identified a \$1.7 million subsidy.

The Commission has opened a docket to determine the amount of the subsidy for each LEC and has directed that intrastate CCL is to be reduced with the subsidy amount.

Tennessee - BST identified a \$.789 million subsidy, which has been applied to switched access.

Alabama & Georgia - BST has filed a tariff to detariff payphone with no subsidy indicated.

Sprint/United

Sprint has filed in Missouri and Tennessee to reduce switched access by a small amount.

Bell Atlantic

Virginia-- MCI filed a complaint asserting that the intrastate payphone subsidy is \$16 million.

On 3/17, BA filed a motion to dismiss the complaint.

No filings seen from BA, other than tariff filings to deregulate payphone service.

US West

Utah-- US West, apparently, filed in Utah.

In conversations, US West indicated they intend to file in the remaining states before April 15. However, rates will not change in every instance because 11 states have price caps or some other form of alternative regulation that does not require a rate change with a reduction in cost.

INTRASTATE SUBSIDIES

- To date, LECs have filed to remove approximately \$15M in intrastate payphone subsidies
- LECs have proposed to reduce intrastate access by approximately \$2.5M.

MCI Operational Issue

- MCI must track 950 calls (FGB) from payphones
 - Many LECs have implemented a technical fix to allow tracking for no cost or nominal cost (total cost to MCI approximately \$1.1M)
 - Bell Atlantic indicated that it would charge \$3.2M for switch development
 - NYNEX stated it will not implement a fix

- In CEI response, Bell Atlantic states that FGD is available so that MCI will not be restricted to FGB lines which can not transmit ANI or screening codes.
- NYNEX has refused to make the necessary changes because demand is limited.
NYNEX indicated that FGD is available to provide necessary ANI and screening codes.

CODING DIGITS

- LECs' provision of coding digits is discriminatory and not in compliance with the Order.
- LEC phones, which are predominately coin line phones, will pass the unique code "27" as part of ANI II at no additional cost to carriers.
- Non-coin line phones will not have unique code as part of ANI II at no cost to carriers.

- In CEI responses, BOCs state that they will provide unique codes for non-coin line phones through LIDB or FLEX ANI
 - COCOT phones are non-coin line phones
 - With LIDB, the code “07”--which is not a unique payphone code-- will be transmitted with ANI
 - With FLEX ANI, the carrier will not receive a unique payphone code unless the carrier purchases FLEX ANI at significant cost.